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SUBJECT: MOROCCAN PRO REFORM STIRS OPPOSITION

11. (U) Summary: A new Moroccan port reform law went into effect December 5, amidst strong opposition from stevedores (longshoremen). The new law, designed to increase port efficiency and competitiveness, divides the present Ports Authority (ODEP) into two entities: a National Ports Agency (ANP), responsible for regulatory control and port authority; and a Port Management Company (SODEP), a new entity responsible for commercial services and port handling. Longshoremen remain opposed to the law over fears of job security, and have threatened to cripple port operations through a nationwide strike. End Summary.

Reform Overdue

12. (U) Commercially, Morocco is an island, with over 95 percent of its foreign trade coming through its 12 principal seaports. Stimulus for the new law grew from a realization that increased Moroccan economic activity could only be achieved through increased throughput at its ports, which suffered from inefficiencies and non-competitive pricing in relation to other Mediterranean ports. As Morocco's largest and most problematic port, Casablanca remains the focus of attention. Mohammed Abdeljalil, former Director General of ODEP and new Director of SODEP, explained to Econoff that reform measures would first be introduced at Casablanca, refined, and then implemented nationwide. Approved a year before its implementation, the new law ends ODEP's monopolistic authority, separates commercial services from port operations, and establishes the framework for commercial services competition.

13. (SBU) Before the new law's implementation, Moroccan ports operated under a unique system of dual cargo handling. The unloading of vessels was performed by stevedores, who were employed by one of five ODEP approved stevedore companies. Once unloaded, a different set of dock workers, under the direct employment of ODEP, performed cargo handling and transport from the docks to storage facilities. This duality and division of labor decreased efficiency, left liability unclear, and increased costs. Abdelaziz Mantrach, head of Morocco's association of ship agents and brokers, and a strong reform advocate, told Econoff that the issue of liability created havoc among insurance agents and drove up insurance rates, while the inefficiency and corruption involved in dock operations drove up cargo handling costs. In the spring of 2006, the average handling cost for a standard container in Casablanca was over USD 220 versus USD 150 for most other Mediterranean ports. Mantrach added that shippers also suffered from the amount of time vessels spent in Moroccan ports, noting that the time required for loading and unloading in Casablanca was significantly longer than similar European ports.

14. (U) Elimination of the two-track system is a principal aspect of the new law, as it removes the distinction between on-board and dock-side cargo handling. The law also creates a private commercial service company (Consoport) to compete with SODEP. Both SODEP and Consoport will employ dock workers who will perform the entire cargo handling process, from ship to warehouse.

Consoport and Stevedores Upset

15. (U) While almost all sides agree that reform is overdue, efforts to divide human and physical resources among the new entities has met opposition, primarily from the stevedores. Under the government's plan, all 1100 stevedores at Casablanca were transferred to Consoport, while the former ODEP dock workers merely transferred to the new State commercial operator, SODEP. Mohammed Karia, president of both Morocco's second largest shipping company and the stevedores' association in Casablanca, characterized the apportionment between Consoport and SODEP as completely unfair. "SODEP received all the deep water docks," he said, and so will have a virtual monopoly on handling modern container vessels, which require such facilities. The division, he argued, will reduce competition, and leaves Consoport with a work force that is more than three times what it requires.

16. (U) The Stevedore labor union (UMT) has lobbied hard against the new law since its inception. In September, Stevedores staged an all-day strike, and union leaders continued to engage in intensive negotiations with the Ministry of Transport. Aware of the significance of both the shift of the Stevedores to Consoport and the allocation of dock space, union leaders say the new plan will mean the loss of over 700 jobs at Casablanca. To quell fears and prevent

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a strike, Minister Ghellab pledged last week to guarantee the salaries of all affected stevedores. Left unclear was the duration of the guarantee.

17. (U) Karia indicated that as a result of the guarantee, he did not think stevedores would strike before the end of the year. He noted, however, that the International Transport Workers' Federation has pledged to support its Moroccan affiliate in any subsequent work stoppage. On December 7, stevedores were at work as normal in Casablanca, with ships lined-up on the horizon awaiting their turn. Karia explained that they were all being off-loaded by the stevedores, who were preventing vessel access by SODEP dock workers.

18. (SBU) Comment: Port reform in Morocco is long overdue, and government officials understand that improving transportation infrastructure and operations is critical to increasing the country's competitiveness and attracting foreign investment. Transport Minister Ghellab has displayed courage in tackling the issue, something his predecessors decided was too risky. His guarantee to honor the salaries of the stevedores appears to have bought time and quelled immediate tensions, but a protracted strike remains a possibility that could seriously damage Morocco's economy. While many analysts view the law's implementation to date as a tactical victory for Ghellab, they also acknowledge that the final outcome is still in doubt, with the next major battle coming when the GOM enforces vessel access to SODEP dock workers. End Comment.